

State of California

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Legislative Change No.

01-23

Bill Number: AB 984

Author: Papan

Chapter Number: 01-592

Laws Affecting Franchise Tax Board: Revenue and Taxation Code Section 6368.8

Date Filed with the Secretary of the State: October 9, 2001

SUBJECT: LAO In Consultation With BOE & FTB Study Sales and Use Tax Exemption For Use Of Sales & Leaseback Financing

Assembly Bill 984 (Papan), as enacted on October 9, 2001, made the following changes to California law:

Section 6368.8 is added to the Revenue and Taxation Code.

This act exempts the sale and lease of certain public transportation vehicles and related equipment from sales and use tax. The exemption applies to the qualified person that purchases the public transportation vehicle, leases the vehicle, and then leases back the vehicle for operation. A qualified person is an operator of a public transportation system.

This act requires the Legislative Analyst (LA) to conduct a study on the impact of the exemption. The study will include:

- The number of persons using the exemption.
- The fiscal impact (including total exempted amounts and any depreciation claimed on the public transportation vehicles).
- The impact of federal law, including a federal tax ruling regarding lease-in/lease-out transactions, on the use of the exemption.
- The impact of the exemption on California's public transit sector.
- Recommendations related to extending the exemption.

The LA with guidance from the Franchise Tax Board and the Board of Equalization shall conduct the study and prepare the report.

The study and its findings will be reported to the Legislature on or before January 1, 2003.

This act is a tax levy and is effective upon chaptering. However, the act specifies that it is operative on the first day of the first calendar month commencing more than 15 days after its effective date, which would be November 1, 2001. This act will be repealed January 1, 2004.

Bureau Director

Jana Howard for BP

Date

December 4, 2001